

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 121 - HB 1157

March 30, 2009

SUMMARY OF BILL: Creates an additional class of licenses allowing the sale of wine at certain retail food stores.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$819,000 One-Time/
Alcoholic Beverage Commission
\$2,555,500 Recurring/
Alcoholic Beverage Commission
\$16,075,000 Recurring/General Fund**

**Increase State Expenditures – \$204,000/One-Time/FY09-10
Alcoholic Beverage Commission
\$531,100/FY09-10
Alcoholic Beverage Commission**

**\$204,000/One-Time/FY10-11
Alcoholic Beverage Commission
\$1,062,000/FY10-11
Alcoholic Beverage Commission**

**\$102,000/One-Time/FY11-12
Alcoholic Beverage Commission
\$1,327,600/FY11-12 and Subsequent
Years/Alcoholic Beverage Commission**

Increase Local Revenue - \$11,110,000

Assumptions:

- The licenses shall be issued by the Alcoholic Beverage Commission and only to qualified food stores in jurisdictions which have approved the

sale of alcoholic beverages.

- There are approximately 7,000 qualifying food stores in the state of Tennessee. It is estimated that approximately 52 percent of these are in localities that have authorized the sale of alcoholic beverages and that 75 percent of stores in these localities will apply for the license ($7,000 \times 52\% \times 75\% = 2,730$) resulting in 2,730 stores statewide authorized to sell wine according to the provisions of the bill.
- Each license costs \$850 with a \$300 one-time fee. This will result in a recurring increase in state revenue to the ABC Fund of \$2,320,500 ($2,730 \times \850) and a one-time increase in state revenue to the ABC Fund of \$819,000 ($2,730 \times \300).
- The Alcoholic Beverage Commission will need 20 additional agents to assist in regulating and investigating the new licensees.
- ABC will require 10 new administrative staff positions to assist in the administrative duties necessary for the new licensees.
- Eight new agents will be required in years one and two. The third year will require four new agents.
- Four new administrative staff will be required in years one and two. The third year will require two new administrative staff positions.
- In years one (FY09-10) and two (FY10-11) eight new agents will be hired each year. Each agent would receive a salary of \$29,040 and benefits of \$14,960 ($8 \times \$44,000 = \$352,000$); a \$25,000 one-time expenditure for a car, camera, rifle, vest, etc., for each agent totaling \$200,000 ($8 \times \$25,000$); \$5,000 for maintenance, travel, hotels, etc. totaling \$40,000 ($8 \times \$5,000$). The total recurring increase in state expenditures for these new positions in FY 09-10 will be \$392,000 ($\$352,000 + \$40,000 = \$392,000$). The total one-time increase in state expenditures for FY09-10 is \$200,000. The total recurring increase in state expenditures for FY10-11 is also \$392,000. The total one-time increase in state expenditures for FY10-11 is also \$200,000. In the third year (FY11-12) the recurring cost for four new agents is estimated to be \$196,000. The one-time expenditures for FY11-12 are estimated to be \$100,000.
- In years one (FY09-10) and two (FY10-11) four new administrative staff will be hired each year. The estimated cost for each of the positions is \$19,800 for salary and \$10,200 for benefits. The recurring cost for computer access, phones, etc., for each position is \$4,780. The one-time cost for equipment for each position is \$1,000. The total recurring increase in state expenditures for FY09-10 is \$139,100 [$(\$30,000 \times 4) + (\$4,780 \times 4) = \$139,120$]. The one-time increase in state expenditures for FY09-10 is \$4,000 ($\$1,000 \times 4$). The total recurring increase in state expenditures for FY10-11 is also \$139,000. The total one-time increase in state expenditures for FY10-11 is also \$4,000. In the third year (FY11-12) the recurring cost for administrative positions is estimated to be \$69,600 ($\$139,100 / 2 = \$69,550$). The one-time expenditures for FY11-12 are estimated to be \$2,000 ($\$4,000 / 2 = \$2,000$).

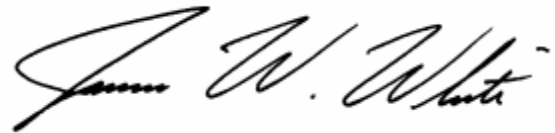
- The total increase in state expenditures for salary and benefits for the agents and administrative staff required by ABC for FY09-10 is \$531,000 (\$392,000 + \$139,100 = \$531,100). The total one-time increase in state expenditures for FY09-10 is \$204,000 (\$200,000 + \$4,000).
- The total increase in state expenditures for salary and benefits for the agents and administrative staff required by the ABC for FY10-11 is \$1,062,000 (\$531,000 from FY09-10 + \$531,000 for FY10-11). The total one-time increase in expenditures for FY10-11 is \$204,000.
- The total recurring increase in state expenditures for salary and benefits for the agents and administrative staff required by the ABC for FY11-12 and subsequent years is \$1,327,600 (\$1,062,000 from FY09-10 and FY10-11 + \$196,000 for four new agents + \$69,600 for two new administrative staff). The total one-time increase in state expenditures for salary and benefits for agents and administrative staff for FY11-12 is \$102,000 (\$100,000 for four new agents + \$2,000 for two new administrative staff).
- The excise tax on wine, state sales tax, local sales tax, the enforcement tax on the sale of alcoholic beverages, and municipal inspection fees will be impacted by this bill.
- The provisions of the bill will result in a 50 percent increase in all taxes and fees identified above.
- The state sales tax and local sales tax revenue figures are discounted by five percent to account for a reduction in the retail price of wine resulting from increased competition among retailers.
- Wine sales are subject to a \$1.21 per gallon excise tax. FY09-10 collections are estimated to be approximately \$10,200,000.
- The increase in state revenue from additional excise tax collections is estimated to be \$5,100,000 (\$10,200,000 x 50%).
- FY09-10 state sales tax collections for wine are estimated to be approximately \$21,000,000 under current law.
- The recurring increase in state sales tax revenue for FY09-10 is estimated to be approximately \$9,975,000 (\$21,000,000 x 50% x 95%).
- FY09-10 local sales tax collections are estimated to be approximately \$7,600,000 under current law.
- The recurring increase local sales tax revenue is estimated to be approximately \$3,610,000 (\$7,600,000 x 50% x 95%).
- Current law authorizes a \$0.15 per case enforcement tax upon the sale of alcoholic beverages sold at wholesale in Tennessee. FY09-10 collections attributable to wine sales are estimated to be approximately \$470,000.
- The recurring increase in state revenue associated with the enforcement tax is estimated to be \$235,000 (\$470,000 x 50%). This amount is credited to the ABC Fund rather than the General Fund.
- Local governments are authorized by Tenn. Code Ann. § 57-3-501 to charge a permissive municipal inspection fee of a variable percentage

(based on population) of the wholesale price of alcoholic beverages supplied by wholesalers. This fee is paid by licensed retailers within the municipality.

- Based upon a sample survey of local governments conducted by Municipal Technical Advisory Service (MTAS), it is estimated that in excess of \$15,000,000 is collected by municipalities statewide each year.
- Assuming a 50 percent increase in municipal inspection fee revenue, there is estimated to be a recurring increase in local revenue exceeding \$7,500,000 ($\$15,000,000 \times 50\% = \$7,500,000$).
- Any increase in state or local sales tax collections due to the expanded list of items authorized to be sold in liquor stores is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/cce